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SHERRITT GORDON MINES LIMITED

P.O. Box 28, Commerce Court West, Toronto, Canada
M5L 1B1

REPORT ON
ANNUAL AND SPECIAL GENERAL
MEETING OF SHAREHOLDERS
APRIL 25, 1975

including

QUARTERLY REPORT
FIRST QUARTER, 1975

ANNUAL AND SPECIAL GENERAL MEETING
April 25, 1975

Mr. David D. Thomas, President and Chief Executive Officer, spoke to the Shareholders and guests in attendance. Following his address, a colour film entitled "Pushing Back the Frontier, the Story of Sherritt Gordon Mines Limited" was presented.

* * *

In the course of his address to the Shareholders, Mr. Thomas departed from his prepared text by summarizing the highlights of the first quarter. The following, however, includes the full report for the first quarter of 1975:

Earnings per share for the first quarter of 1975 amounted to 45¢ compared to 75¢ per share for the first quarter of 1974. This reduced profit reflects dramatically lower prices from copper sales partially offset by increased zinc production and a strong performance from our fertilizer operations.

Comparative sales and earnings (in thousands) for the first quarter of 1975 and 1974 on a consolidated basis are set forth below:

	1975	1974
Revenue from sales	$ 50,434	$ 50,285
Gross profit from sales	14,390	20,445
Earnings before write-offs and taxes	12,806	17,165
Depreciation and other write-offs	2,804	2,342
Earnings before taxes	10,002	14,823
Income taxes	3,987	3,613
Mining royalty taxes	300	1,675
Minority interest	8	8
Net earnings	$ 5,707	$ 9,527
Earnings per share	$ .45	$ .75

Revenue from sales for the first quarter of 1975, although similar in amount to the first quarter of 1974, primarily reflects lower revenue

from copper, offset by higher revenues from zinc and fertilizers. The volume of copper sold remained unchanged from 1974 but zinc volume increased 47% as a result of increased production from the Ruttan and Fox Mines. Fertilizer volumes were at the same level but selling prices were higher than a year ago, reflecting the rapidly escalating cost of production as well as a strong market demand for all fertilizer products.

The price of copper on the London Metal Exchange continues to be fundamentally weak, however it has recovered from a low of 53¢, reached mid January, to its present level of 58¢. Profit from our Fox and Ruttan operations will continue to be low at this price.

At Ruttan Mine the tonnage milled during the quarter was 856,000 tons assaying 1.20% copper and 2.20% zinc. Ore production was up to schedule at improved grade but waste-rock stripping was only 2,600,000 tons, about 75% of our target. The operation of the open pit was again plagued by equipment problems, partially caused by faulty design and accentuated by cold weather. An outside contractor has been hired to flatten and stabilize a section of wall on the northwest side of the pit entailing the removal of about 850,000 tons of extra waste rock. Copper recoveries during the quarter were somewhat lower than previously experienced but the zinc circuit in the mill operated satisfactorily. No development headings were advanced underground during the quarter other than completing the ventilation raise from the 1,000′ level to surface. The new underground contractor, Thyssen Mining Construction of Canada Ltd., moved onto the site and worked at electrical installation and completed the steel work for the "A" conveyor. Splicing of the conveyor belt started in late March and the conveyor system from the 1000′ level to surface should be operating by the end of April.

Studies to determine the most practical and economical method of proceeding with the Ruttan underground development have been under way for the past several months. At the same time we have started a complete review of underground mining methods to see if a more economical system can be adopted to partially offset the sharply rising costs of underground mining. At present, priority in the underground development program is being given to driving the footwall drift on the 800′ level so that diamond drilling can proceed to more closely define the outline of the ore below the open pit.

At Fox Mine the tonnage milled during the quarter was 248,000 tons at an average grade of 1.56% copper and 2.09% zinc. The copper grade was below forecast because of a delay in the start of

production from below the 2000′ level. Although the copper circuit in the mill experienced some minor difficulties, the zinc recoveries continued to improve. Development work fell slightly behind schedule due to the transfer of the development contractor to Lynn Lake at the end of February. Maintenance in both the mine and mill was brought up to a satisfactory level during the quarter.

The operation at Lynn Lake decreased to its lowest point ever. Only 96,000 tons were milled at an average grade of .75% nickel and .34% copper. The lack of development work during 1974, due to a shortage of miners, was the major production problem. The mine operated at a cash loss of about $1,400,000. A decision has been reached, after extensive studies, to attempt to run the mine on a strictly salvage basis for a period of about three and one-half years which would exhaust the present ore reserves. We have stopped all underground exploration, are cutting back stringently on surface operating personnel and will run the mine with a minimum of divisional overhead services. We are planning to complete development of the known ore bodies by the end of 1975. If this program is successful we should reach a break-even point in the mine during the third quarter of this year. However, this salvage operation will be monitored very closely since major cash losses at Lynn Lake cannot be allowed to continue.

Decreased nickel concentrate shipments from Lynn Lake and production problems experienced by our Australian suppliers resulted in a shortage of feed material for the Fort Saskatchewan refinery. Nickel production was 7,322,000 pounds, about 17% below the corresponding quarter last year. Cobalt production on the other hand increased to 136,000 pounds. Production of nickel strip was cut back in mid March as a result of the strike at the Royal Canadian Mint. Production of special powders and dispersion-strengthened nickel sheet continued at a satisfactory level during the quarter. Apart from ammonium sulphate, all other fertilizer plants operated at maximum rates to meet the strong market demand. Total fertilizer production during the quarter reached a record level of 107,000 tons. The construction of the 20,000-ton ammonia storage tank was completed in March. The tank is now being used to provide more ammonia for direct application in Western Canada.

The negotiation with the International Chemical Workers' Union at Fort Saskatchewan for the renewal of the collective bargaining agreement is now proceeding through the conciliation step. The present agreement expires on April 30.

Construction of the S-C Copper Project pilot plant at Fort Saskatchewan is progressing well but there has been some delay in the delivery of equipment and piping materials. The pilot plant is expected to be ready in August for initial test runs on copper concentrates.

Capacity is being expanded for the production of Sherritt's Nickel-Bonded-Steel blanks, a new material for use in coins and tokens.

Startup operation of the nickel refinery of Marinduque Mining & Industrial Corporation on Nonoc Island in the Philippines is progressing satisfactorily and the production of high purity nickel is increasing steadily as additional units are placed on stream. The first shipment of nickel was made and over 2,000,000 pounds of nickel were produced.

* * *

I would now like to comment on our fertilizer expansion venture at Fort Saskatchewan. As reported in the annual report, the total capital required is now estimated at $140,000,000; this is made up of a basic plant cost of $105,000,000 plus working capital, interest during construction, startup expense and a financial contingency. We have opened discussions with a number of potential participants or partners and have continued, and brought up to date, studies of the technical feasibility of the expansion and the projected North American market for nitrogen fertilizers. We have always been concerned about the number of new nitrogen fertilizer plants which may be allowed to be built in Alberta, causing increased pressure in the highest construction-cost area in Canada and creating a potential nitrogen fertilizer over-capacity situation. We have become more concerned in the light of these market studies and particularly in the light of the recent announcement that the Alberta Energy Resources Conservation Board has authorized the gas requirements for three more world-sized ammonia plants in Alberta. We are in close touch with the Alberta Government, which we believe shares our concern, but we are keeping a close watch on the changing situation which might make it inadvisable to proceed with the expansion.

* * *

Every year since Eric Kierans set out to destroy the Canadian resource industries, I have spent some of my time at each annual meeting discussing Manitoba's mineral policy. Here I go again. In

late 1974, the Manitoba Government, as part of its overall mineral policy, brought in new mineral disposition regulations which, among many other troublesome things, provided for the Government's participation in all new mineral exploration up to 50%. As I am one of the industry leaders who has advocated joint ventures with government, it is somewhat embarrassing for me to tell you today that, because of these regulations, Sherritt has stopped exploring in Manitoba. The joint venture arrangements which have been proposed to date by the Manitoba Government are commercially unacceptable to your Company. We have been proud and jealous of our knowledge and expertise in the field of exploration, which warrants recognition in any Canadian exploration arrangement. We were prepared to waive this recognition in dealing with the Manitoba Government but we are not prepared to bear more than half the costs in order to retain a 50% interest in any property. Most of our exploration is now taking place in Ontario, where our crews have been instructed to find only *small* mines.

Early in April, The Metallic Minerals Royalty Act was tabled in the Manitoba legislature. This Act provides for royalty taxes on mining and processing profits of 12½% on a "profit base" arrived at by complex formulae and 35% on profits beyond the base. If no relief from this royalty tax is provided under federal and provincial income tax laws, the combined tax rate beyond the base would become 73%. If such a rate were to apply only to true "windfall" profits, then the confrontation between the mining industry and the Manitoba Government might well disappear. Unfortunately, in the drafting of this complex piece of legislation, there are a number of provisions where this high rate of tax can apply to normal or marginal profits. Let me give you two examples. If we had only the Lynn Lake Mine in Manitoba and were able to achieve a profit on it in 1976 of $100,000, our tax bill would be $73,000. Another example is our royalty tax for 1975. When I tell you that the royalty tax provision for the first quarter is only $300,000, you will realize that the mining division has had a tough time. However, this $300,000, calculated under the terms of the proposed new legislation, is 50% higher than it would have been under the previous Royalty Tax Act.

The mining industry is hopeful of working with the Manitoba Government in arriving at a taxation system which meets the government's announced Mineral Resource Policy and yet retains a viable mining industry within Manitoba.

* * *

The business of the Annual and Special General Meeting included:

1. Approval of a special resolution to alter the Articles of the Corporation to:

   (a) change the name of the Corporation to Sherritt Gordon Mines Limited;

   (b) broaden the objects of the Corporation;

   (c) alter the capital of the Corporation to provide for Class A and Class B shares. A special Notice to Shareholders is enclosed covering details of the reclassification of share capital.

2. The election of the following to the Board of Directors for the ensuing year:

W. E. P. DeRoche	David G. Guest	J. H. Parliament
Edward L. Donegan	V. N. Mackiw	David D. Thomas
Richard D. Ellett	Plato Malozemoff	J. E. Thompson

At the Directors' meeting following the Annual and Special General Meeting of Shareholders, officers were elected or appointed as follows:

W. E. P. DeRoche	— Chairman of the Board
David D. Thomas	— President and Chief Executive Officer
V. N. Mackiw	— Executive Vice-President
R. G. MacKay	— Executive Vice-President
Alan E. Gallie	— Vice-President, Marketing
Kenneth J. Harvey	— Vice-President, Finance
Bruce I. Watson	— Treasurer
R. G. MacKay	— Secretary
Ian A. Shaw	— Controller
D. J. I. Evans	— Assistant Vice-President
Robert R. Topp	— Assistant Vice-President

CONSOLIDATED STATEMENT OF EARNINGS
For the Three Months Ended March 31, 1975

(with comparative figures for 1974)
(thousands of dollars)

	First Quarter 1975	First Quarter 1974
Revenue from Sales	$ 50,434	$ 50,285
Cost of sales	36,044	29,840
Gross Profit from Sales	14,390	20,445
Research expense	400	311
Outside exploration expense	393	242
Administrative and selling expense	732	765
	1,525	1,318
Operating Profit	12,865	19,127
Process licensing revenue	722	133
Rentals and other non-operating revenue (expense)	80	(845)
Interest income	57	10
	13,724	18,425
Interest expense — bonds	881	1,031
— other	37	229
Earnings before Write-offs and Taxes	12,806	17,165
Depreciation, deferred development and other write-offs	2,804	2,342
Earnings before Taxes	10,002	14,823
Income taxes — current	3,037	1,313
— deferred	950	2,300
Mining royalty taxes	300	1,675
	4,287	5,288
	5,715	9,535
Minority interest in net earnings of subsidiaries	8	8
Net Earnings	$ 5,707	$ 9,527
Earnings per Share	45¢	75¢

This statement is subject to year-end audit.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Three Months Ended March 31, 1975

(with comparative figures for 1974)

(thousands of dollars)

	First Quarter 1975	First Quarter 1974
FUNDS WERE OBTAINED FROM		
Operations for the period		
Net earnings	$ 5,707	$ 9,527
Amounts deducted in arriving at net earnings which did not involve an outlay of funds		
Depreciation, deferred development and other write-offs	2,537	2,497
Deferred income taxes	950	2,300
	9,194	14,324
Other — net	8	8
	$ 9,202	$ 14,332
FUNDS WERE USED FOR		
Expenditures on capital and deferred assets		
Mining	$ 1,996	$ 839
Employee housing and other loans	(189)	999
Metal and chemical, including research	1,081	1,294
	2,888	3,132
Reduction in long-term indebtedness	2,605	1,961
Dividends	1,911	1,911
Investments	16	394
	7,420	7,398
Increase in working capital	1,782	6,934
	$ 9,202	$ 14,332
WORKING CAPITAL		
Balance at beginning of the period	$ 36,409	$ 24,779
Increase during the period	1,782	6,934
Balance at end of the period	$ 38,191	$ 31,713

This statement is subject to year-end audit.

Printed in Canada.

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SHERRITT GORDON MINES LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular dated as of March 17, 1975 is furnished in connection with the solicitation by the Management of Sherritt Gordon Mines Limited (the "Corporation") of proxies to be used at the Annual and Special General Meeting of Shareholders of the Corporation to be held on Friday, the 25th day of April, 1975 at the time and place and for the purposes set forth in the accompanying Notice of Meeting. Solicitation will be primarily by mail, the cost of which will be borne by the Corporation.

APPOINTMENT OF PROXY

The persons named in the enclosed form of proxy are Officers of the Corporation. IF A SHAREHOLDER DESIRES TO APPOINT SOME PERSON TO REPRESENT HIM AT THE MEETING OTHER THAN THOSE DESIGNATED HE SHOULD INSERT SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED ON THE FORM OF PROXY OR COMPLETE ANOTHER FORM OF PROXY AND, IN EITHER CASE, RETURN IT TO THE SECRETARY OF THE CORPORATION.

REVOCATION OF PROXY

A Shareholder who has given a proxy may revoke it at any time prior to its use either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Corporation, or (b) by signing a written notice of revocation and delivering it to the Secretary of the Corporation or the Chairman of the Meeting.

EXERCISE OF VOTE BY PROXY

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form will be voted. SUCH SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS AS STATED UNDER THESE HEADINGS IN THIS INFORMATION CIRCULAR. Where the Shareholder executing such proxy specifies a choice with respect to any matter to be acted upon at the Meeting, other than the election of Directors and the appointment of Auditors, such shares will be voted in accordance with any specification so made. IN THE ABSENCE OF SUCH SPECIFICATIONS, SUCH SHARES WILL BE VOTED FOR THE CONFIRMATION OF A SPECIAL RESOLUTION ALTERING THE SHARE CAPITAL OF THE CORPORATION. THE SPECIAL RESOLUTION IS DESCRIBED IN THIS INFORMATION CIRCULAR. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, the Management of the Corporation knows of no such amendment, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

VOTING SHARES AND PRINCIPAL HOLDER THEREOF

On March 17, 1975 the Corporation had outstanding 12,740,000 common shares with par value of $1.00 per share each carrying the right to one vote per share.

Newmont Mining Corporation as of March 17, 1975 owned 5,052,651 of the common shares of the Corporation representing 39.7% of the outstanding shares. The Directors and Senior Officers of the Corporation do not know of any other person or corporation who owns beneficially, directly or indirectly, more than 10% of the outstanding shares of the Corporation.

Only Shareholders of record at the time set for the Meeting will be entitled to vote at the Meeting or any adjournment thereof.

SPECIAL RESOLUTION

The Meeting has been called as a Special General Meeting of Shareholders for the purpose of considering and if thought fit confirming, with or without variation, a Special Resolution which was passed by the Board of Directors of the Corporation on February 27, 1975.

The Special Resolution authorizes an amendment to the share capital structure of the Corporation to create two classes of shares and to permit one class to receive dividends which will be taxable dividends within the provisions of the Income Tax Act (Canada) and to permit the other class to receive dividends upon which the payment of income tax may be deferred. The Special Resolution broadens and amends the objects of the Corporation to ensure that they are consistent with the widening scope of activities undertaken by it. In addition, the Special Resolution authorizes minor amendments to the Articles of Incorporation of the Corporation consistent with provisions of The Business Corporations Act (Ontario) taking effect on January 1, 1975. A copy of the Special Resolution as passed by the Board of Directors is included with this Information Circular.

The Special Resolution authorizes the reclassification of the existing 14,000,000 authorized common shares with a par value of $1.00 per share into a combined total of 14,000,000 authorized participating Class A shares with a par value of $1.00 per share and Class B shares with a par value of $1.00 per share.

The Directors may declare cash dividends ("ordinary dividends") equally on the Class A and the Class B shares. In the case of the Class B shares, the Directors may in their discretion determine that the cash dividends be paid out of two special tax accounts which are defined in the Income Tax Act. These accounts are either "tax-paid undistributed surplus on hand" or "1971 capital surplus on hand" and dividends paid out of these accounts are referred to as tax-deferred dividends.

Whether a Shareholder will wish to receive an ordinary dividend or a tax-deferred dividend will depend both on his taxation status and rate of tax and how long he anticipates holding the shares. In order to allow Shareholders to select whichever method of receipt of dividends is more advantageous to them from a tax point of view and to make changes if and when circumstances change, Class A shares are convertible into Class B shares and vice versa on a one-for-one basis. Accordingly holders of Class A shares wishing to receive tax-deferred dividends rather than ordinary dividends will be able to convert their shares into Class B shares and the holders of Class B shares wishing to receive ordinary dividends rather than tax-deferred dividends will be able to convert their shares into Class A shares.

"Ordinary Dividends"

Under the current provisions of the Income Tax Act, Shareholders who are individuals resident in Canada must include an ordinary dividend in income. The Shareholders must also include as income an additional amount equal to one-third of the ordinary dividend received and will be entitled to a tax credit the effect of which reduces his taxes by approximately the one-third amount added to income. Ordinary dividends received by public corporations in Canada and tax-exempt Shareholders such as pension trusts or trusts under registered retirement savings plans will not be subject to tax. Ordinary dividends received by private corporations resident in Canada may be subject to a 33⅓% tax which is generally refundable when dividends are paid by the private corporation subject to certain limitations imposed by the Income Tax Act. Ordinary dividends paid to non-resident Shareholders will be subject to a withholding tax at the rate of 10% until the beginning of 1976 at which time it may be increased to 20% depending on the country of residence of the Shareholders. Under current Canadian legislation and reciprocal tax conventions, the rate of withholding tax in 1976 for residents of the United States

and the United Kingdom will remain at 10% in respect of ordinary dividends paid on the shares of the Corporation. The tax treatment of ordinary dividends and Canadian withholding tax should be discussed by the non-resident Shareholder with his professional advisers.

"Tax-Deferred Dividends"

By paying a 15% tax on a specified portion of its 1971 undistributed income on hand the Corporation can constitute the remaining 85% of such portion as tax-deferred dividends out of such surplus the dividends are received by individuals resident in Canada, private Canadian corporations, public corporations, non-residents and tax-exempt persons free from immediate Canadian income taxes.

The conditions attaching to the Class B shares provide that tax-deferred dividends if paid out of tax-paid undistributed surplus on hand created by the Corporation will be 85% of the ordinary dividend to recognize the 15% tax paid by the Corporation. The Corporation is required by the Income Tax Act to eliminate its 1971 undistributed income on hand before paying tax-deferred dividends out of 1971 capital surplus on hand. The Corporation is not required to pay any tax on its 1971 capital surplus on hand and accordingly tax-deferred dividends paid out of 1971 capital surplus on hand will be 100% of the ordinary dividend.

The receipt of tax-deferred dividends will reduce the adjusted cost base of the shares so that a tax, if any, is deferred until the shares are disposed of. The reduction in the cost base will have the effect of increasing the gain or decreasing the loss to be realized on the subsequent disposition of the shares.

Tax-deferred dividends paid to non-resident Shareholders will not be subject to any withholding tax under the current provisions of the Income Tax Act. The tax treatment of tax-deferred dividends should be discussed by the non-resident Shareholder with his professional advisers.

The Corporation presently has available sufficient 1971 undistributed income on hand and 1971 capital surplus to permit the payment of tax-deferred dividends for a number of years.

Conversions

Under the Income Tax Act, a conversion of Class A shares into Class B shares, or vice versa, is deemed not to constitute a disposition of the Class A or Class B shares, as the case may be, for the purposes of computing taxable capital gains or losses. The cost to the taxpayer of the share received upon the conversion is deemed to be the adjusted cost base to him immediately before the exchange of the share surrendered upon the conversion.

ELECTION OF DIRECTORS

The Board consists of nine Directors to be elected annually. Each Director so elected will hold office until the next Annual Meeting of Shareholders or until his successor is duly elected or appointed. It is the intention of the persons named in the enclosed form of proxy to vote for the election of the nominees whose names are set forth hereunder, all of whom, with the exception of David G. Guest, are now Directors of the Corporation and have been since the dates indicated. If any of the nominees should be unable to serve as a Director of the Corporation for any unforeseen reason, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

The following table sets out the name of each of the nine persons proposed to be nominated for election as a Director, his position with the Corporation (if any), his principal occupation or employment within the last five years, the year in which he became a Director of the Corporation and the number of shares of the Corporation that he has advised are beneficially owned directly or indirectly by him as of March 17, 1975.

Nominees	Position with Corporation	Principal Occupation at Present and Within the Last Five Years	Became Director	Shares Beneficially Owned
*W. E. P. DeRoche	Chairman of the Board	Partner, Blake, Cassels & Graydon, Barristers and Solicitors	1958	150
*Edward L. Donegan	—	Partner, Blake, Cassels & Graydon, Barristers and Solicitors	1968	—
Richard D. Ellett	—	Vice-President, Newmont Mining Corporation, 1972 to date; President, Newmont Mining Corporation of Canada Limited, 1970 to 1972	1972	113
*David G. Guest	—	Partner, Blake, Cassels & Graydon, Barristers and Solicitors.	—	—
*V. N. Mackiw	Executive Vice-President	Vice-President of the Corporation	1964	562
Plato Malozemoff	—	Chairman of the Board and Chief Executive Officer, Newmont Mining Corporation, 1974 to date; President and Chairman of the Board, Newmont Mining Corporation, 1970 to 1974	1951	—
*J. H. Parliament	—	Executive Vice-President, Similkameen Mining Company Ltd., 1973 to date; Vice-President and General Manager, Granduc Operating Company, 1968 to date	1975	—
*David D. Thomas	President	President and Chief Executive Officer of the Corporation	1964	1,126
J. E. Thompson	—	President, Newmont Mining Corporation, 1974 to date; Vice-President, Newmont Mining Corporation, 1970 to 1974	1964	100

* "resident Canadian" nominees

The Business Corporations Act (Ontario) requires that a full slate of nine Directors be elected at the Annual Meeting. Mr. P. A. Cain recently resigned from the Board and Management is not yet prepared to recommend a ninth Director. Mr. Guest, a Partner of Blake, Cassels & Graydon, has kindly consented to act temporarily as a Director and will resign when the Board is prepared to elect a more permanent Director.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid or payable by the Corporation in the last financial year to the Directors and Senior Officers of the Corporation amounted to $477,000.

PENSION BENEFITS

The estimated aggregate cost to the Corporation in the last financial year of all pension or retirement benefits proposed to be paid to Directors and Senior Officers of the Corporation under existing plans in the event of retirement at normal retirement age was $37,000.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Deloitte, Haskins & Sells, Chartered Accountants, as Auditors of the Corporation to hold office until the next Annual Meeting of Shareholders. Messrs. Deloitte, Haskins & Sells have been Auditors of the Corporation for more than the past five years.

Dated at Toronto as of the 17th day of March, 1975.

SPECIAL RESOLUTION

Set forth hereunder is the Special Resolution of Sherritt Gordon Mines Limited described in the Information Circular. In addition to providing for Class A and Class B shares, the Resolution changes the name of the Corporation from "Sherritt Gordon Mines, Limited (No Personal Liability)" to "Sherritt Gordon Mines Limited", expands the objects of the Corporation, and makes minor amendments respecting matters which no longer have application to the Corporation. The following is the text of the Special Resolution:

The Corporation be and is hereby authorized to deliver to the Minister of Consumer and Commercial Relations of Ontario for filing Articles of Amendment in duplicate altering the Articles of the Corporation by:

(A) changing the name of the Corporation to SHERRITT GORDON MINES LIMITED.

(B) amending the objects of the Corporation by changing the word "Company" to "Corporation" in paragraphs (a) and (b), inserting the words "mill, float," between the word "wash," and the word "smelt," in paragraph (a), deleting the word "or" between the word "metals," and the word "minerals," in paragraph (b), inserting the words "fertilizers, chemicals and related products" between the word "minerals," and the word "sold" in paragraph (b), deleting the word "and" after paragraph (a), redesignating paragraph (b) as paragraph (e), and adding as paragraphs (b), (c) and (d) the following:

(b) TO carry on the business of smelting, refining, producing, processing, manufacturing, preparing, stamping, fabricating, building, assembling, milling, installing, otherwise dealing with, buying, selling, trading and dealing in all kinds of metals, minerals and all materials, machinery, appliances, products and supplies to be used in or in connection with or incidental to any of the foregoing;

(c) TO carry on in all its branches the business of developing, manufacturing, producing, purchasing, selling and otherwise dealing in fertilizers, chemicals and related products;

(d) TO carry on the business of doing research, development and engineering in mining, mineral refining and related areas and respecting fertilizers, chemicals and related products, and planning, specifying, fabricating, constructing, purchasing, selling and otherwise dealing in plants, operations and facilities in connection therewith, whether belonging to the Corporation or not, for the carrying out of any of the activities referred to in paragraphs (a), (b) and (c) above or related thereto;

(C) altering the capital of the Corporation as follows:

(a) reclassifying the existing Fourteen Million dollars ($14,000,000) dividend into Fourteen Million (14,000,000) shares of One dollar ($1.00) each into a combined total of Fourteen Million (14,000,000) Class A participating special shares with a par value of One dollar ($1.00) per share and Class B participating special shares with a par value of One dollar ($1.00) per share;

(b) redesignating the outstanding shares of One dollar ($1.00) each as Class A participating special shares with a par value of One dollar ($1.00) per share;

(c) creating One Hundred (100) common shares with a par value of Ten dollars ($10.00) per share.

(D) attaching to the Class A and Class B participating special shares the following provisions:

The said Class A participating special shares with a par value of $1.00 per share (hereinafter called "Class A shares") and the said Class B participating special shares with a par value of $1.00 per share (hereinafter called "Class B shares") have attached thereto the following preferences, rights, conditions, restrictions, limitations or prohibitions:

(a) subject to clause (b) hereof, the Class A shares and the Class B shares shall participate equally as to dividends and all dividends which the Directors may determine to declare and pay in any financial year of the Corporation shall be declared and paid in equal amounts per share on all

the Class A shares and all the Class B shares at the time outstanding without preference or distinction. The Directors may in declaring any or all such dividends on the Class A shares and the Class B shares provide for payment thereof in whole or in part in the manner set out in clause (b) hereof;

(b) in declaring dividends the Directors may at any time and from time to time subject to the provisions of The Business Corporations Act provide (without making any such provisions in respect of payment of dividends on the Class A shares) for the payment, in whole or in part, of dividends on the Class B shares by way of a cash dividend out of tax-paid undistributed surplus on hand or out of the 1971 capital surplus on hand as defined in the Income Tax Act (Canada) as from time to time in force, or as defined in any successor Canadian federal income tax statute; provided, however, that no such provision for payment may be made by the Directors in respect of any such dividend on the Class B shares unless, forthwith following the making of such provision, the Directors declare a cash dividend, payable forthwith following the payment of the said dividend on the Class B shares, on each Class A share then outstanding equal to the sum of

(1) the cash dividend payable at that time on each Class B share then outstanding, plus

(2) in the case of a dividend on the Class B shares payable out of tax-paid undistributed surplus on hand, an amount (to the nearest one-tenth (1/10) of one cent (1¢)) equal to the tax paid or to be paid by the Corporation and/or by any one or by any one or more of its subsidiary corporations under the said Income Tax Act (Canada) or under predecessor statutes to create tax-paid undistributed surplus on hand in an amount equal to the amount of the cash dividend payable at that time on each Class B share then outstanding;

(c) the Class A shares, or any of them, may, upon and subject to the terms and conditions hereinafter set forth, be converted at any time by the holder or holders thereof into fully-paid Class B shares of the Corporation on the basis of one (1) Class B share for each Class A share; a holder of Class A shares desiring to convert his Class A shares into Class B shares in accordance with this provision shall surrender the certificate or certificates representing his Class A shares so to be converted to the Transfer Agent for the time being of the Class A shares, together with a request in writing for such conversion with his signature thereon verified, as the Directors of the Corporation may from time to time require, and payment of any applicable certificate or transfer fee;

(d) the Class B shares, or any of them, may, upon and subject to the terms and conditions hereinafter set forth, be converted at any time by the holder or holders thereof into fully-paid Class A shares of the Corporation on the basis of one (1) Class A share for each Class B share; a holder of Class B shares desiring to convert his Class B shares into Class A shares in accordance with this provision shall surrender the certificate or certificates representing his Class B shares so to be converted to the Transfer Agent for the time being of the Class B shares, together with a request in writing for such conversion with his signature thereon verified, as the Directors of the Corporation may from time to time require, and payment of any applicable certificate or transfer fee;

(e) all shares resulting from any conversion of issued and fully-paid Class A shares into Class B shares or of issued and fully-paid Class B shares into Class A shares as aforesaid shall be deemed to be fully-paid and non-assessable;

(f) neither the Class A shares nor the Class B shares shall be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner;

(g) any amendment to the articles of the Corporation to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A shares or Class B shares or to create special shares ranking in priority to or on a parity with the Class A shares or the Class B shares, in addition to the authorization by a special resolution, may be authorized by at least two-thirds (2/3) of the votes cast at a meeting of the holders of the class of shares affected,

duly called for that purpose; the formalities to be observed with respect to the giving of notice of any meeting of the Class A and/or Class B shareholders and the conduct thereof and the quorum therefor shall **mutatis mutandis** be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders;

(h) in the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, all the property and assets of the Corporation available for distribution to the holders of the Class A shares, Class B shares and common shares shall be paid or distributed first to the holders of the Class A and Class B participating special shares equally share for share to the amount paid up on such shares, second to the holders of the common shares to the amount paid up on such shares, and third to the holders of the Class A and Class B participating special shares equally share for share without preference or distinction;

(i) save as set out in clause (b) hereof, each Class A share and each Class B share shall have the same rights and attributes and be the same in all respects and shall entitle the holder thereof to receive notice of and to attend and to one (1) vote in respect of each such share held at all annual and general meetings of the shareholders of the Corporation.

(E) deleting

(a) the paragraph specifying the provisional Directors;

(b) the paragraph ordaining and declaring the Corporation to be subject to Part XI of The Companies Act;

(c) the paragraph ordaining and declaring the ability of the Corporation to pay commissions for subscriptions and limiting the amount thereof;

(d) the paragraph ordaining and declaring the provisions respecting the distribution of property assets of the Corporation;

(e) the paragraph ordaining and declaring the place of meetings;

(f) the paragraph respecting the notice for the first general meeting of shareholders; and,

(g) the paragraph respecting the payment of formation and organization expenses.

The proper officers of the Corporation are hereby authorized to do, sign and execute all things, deeds and documents necessary or desirable for the due carrying out of the foregoing.

Printed in Canada

SHERRITT GORDON MINES LIMITED

Report for the First Quarter, 1975

and

Remarks by

DAVID D. THOMAS

President and Chief Executive Officer

at the

Annual and Special General Meeting of Shareholders

of

Sherritt Gordon Mines Limited

held at

Commerce Hall, Commerce Court

Toronto, Ontario, Friday, April 25,1975

SHERRITT GORDON MINES LIMITED

REPORT FOR THE FIRST QUARTER, 1975

Earnings per share for the first quarter of 1975 amounted to 45¢ compared to 75¢ per share for the first quarter of 1974. This reduced profit reflects dramatically lower prices from copper sales partially offset by increased zinc production and a strong performance from our fertilizer operations.

Comparative sales and earnings (in thousands) for the first quarter of 1975 and 1974 on a consolidated basis are set forth below

	1975	1974
Revenue from sales	$ 50,434	$ 50,285
Gross profit from sales	14,390	20,445
Earnings before write-offs and taxes	12,806	17,165
Depreciation and other write-offs	2,804	2,342
Earnings before taxes	10,002	14,823
Income taxes	3,987	3,613
Mining royalty taxes	300	1,675
Minority interest	8	8
Net earnings	$ 5,707	$ 9,527
Earnings per share	$ .45	$ .75

Revenue from sales for the first quarter of 1975, although similar in amount to the first quarter of 1974, primarily reflects lower revenue from copper, offset by higher revenues from zinc and fertilizers. The volume of copper sold remained unchanged from 1974 but zinc volume increased 47% as a result of increased production from the Ruttan and Fox Mines. Fertilizer volumes were at the same level but selling prices were higher than a year ago, reflecting the rapidly escalating cost of production as well as a strong market demand for all fertilizer products.

The price of copper on the London Metal Exchange continues to be fundamentally weak, however it has recovered from a low of 53¢, reached mid January, to its present level of 60¢. Profit from our Fox and Ruttan operations will continue to be low at this price.

At Ruttan Mine the tonnage milled during the quarter was 856,000 tons assaying 1.20% copper and 2.20% zinc. Ore production was up to schedule at improved grade but waste-rock stripping was only 2,600,000 tons, about 75% of our target. The operation of the open pit was again plagued by equipment problems, partially caused by faulty design and accentuated by cold weather. An outside contractor has been hired to flatten and stabilize a section of wall on the northwest side of the pit entailing the removal of about 850,000 tons of extra waste rock. Copper recoveries during the quarter were somewhat lower than previously experienced but the zinc circuit in the mill operated satisfactorily. No development headings were advanced underground during the quarter other than completing the ventilation raise from the 1,000' level to surface. The new underground contractor, Thyssen Mining Construction of Canada Ltd., moved onto the site and worked at electrical installation and completed the steel work for the 'A' conveyor. Splicing of the conveyor belt started in late March and the conveyor system from the 1,000' level to surface should be operating by the end of April.

Studies to determine the most practical and economical method of proceeding with the Ruttan underground development have been under way for the past several months. At the same time we have started a complete review of underground mining methods to see if a more economical system can be adopted to partially offset the sharply rising costs of underground mining. At present, priority in the underground development program is being given to driving the footwall drift on the 800' level so that diamond drilling can proceed to more closely define the outline of the ore below the open pit.

At Fox Mine the tonnage milled during the quarter was 248,000 tons at an average grade of 1.56% copper and 2.09% zinc. The copper grade was below forecast because of a delay in the start of production from below the 2,000' level. Although the copper circuit in the mill experienced some minor difficulties, the zinc recoveries continued to improve. Development work fell slightly behind schedule due to the transfer of the development contractor to Lynn Lake at the end of February. Maintenance in both the mine and mill was brought up to a satisfactory level during the quarter.

The operation at Lynn Lake decreased to its lowest point ever. Only 96,000 tons were milled at an average grade of .75% nickel and .34% copper. The lack of development work during 1974, due to a shortage of miners, was the major production problem. The mine operated at a cash loss of about $1,400,000. A decision has been reached, after extensive studies, to attempt to run the mine on a strictly salvage basis for a period of about three and one-half years which would exhaust the present ore reserves. We have stopped all underground exploration, are cutting back stringently on surface operating personnel and will run the mine with a minimum of divisional overhead services. We are planning to complete development of the known ore bodies by the end of 1975. If this program is successful we should reach a break-even point in the mine during the third quarter of this year. However, this salvage operation will be monitored very closely since major cash losses at Lynn Lake cannot be allowed to continue.

Decreased nickel concentrate shipments from Lynn Lake and production problems experienced by our Australian suppliers resulted in a shortage of feed material for the Fort Saskatchewan refinery. Nickel production was 7,322,000 pounds, about 17% below the corresponding quarter last year. Cobalt production on the other hand increased to 136,000 pounds. Production of nickel strip was cut back in mid March as a result of the strike at the Royal Canadian Mint. Production of special powders and Dispersion-Strengthened nickel sheet continued at a satisfactory level during the quarter. Apart from ammonium sulphate, all other fertilizer plants operated at maximum rates to meet the strong market demand. Total fertilizer production during the quarter reached a record level of 107,000 tons. The construction of the 20,000-ton ammonia storage tank was completed in March. The tank is now being used to provide more ammonia for direct application in Western Canada.

The negotiation with the International Chemical Workers' Union at Fort Saskatchewan for the renewal of the collective bargaining agreement is now proceeding through the conciliation step. The present agreement expires on April 30.

Construction of the S-C Copper Project pilot plant at Fort Saskatchewan is progressing well but there has been some delay in the delivery of equipment and piping materials. The pilot plant is expected to be ready in August for initial test runs on copper concentrates.

Capacity is being expanded for the production of Sherritt's Nickel-Bonded-Steel blanks, a new material for use in coins and tokens.

Startup operation of the nickel refinery of Marinduque Mining & Industrial Corporation on Nonoc Island in the Philippines is progressing satisfactorily and the production of high purity nickel is increasing steadily as additional units are placed on stream. The first shipment of nickel was made and over 2,000,000 pounds of nickel were produced.

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I would now like to comment on our fertilizer expansion venture at Fort Saskatchewan. As reported in the annual report, the total capital required is now estimated at $140,000,000; this is made up of a basic plant cost of $105,000,000 plus working capital, interest during construction, startup expense and a financial contingency. We have opened discussions with a number of potential participants or partners and have continued, and brought up to date, studies of the technical feasibility of the expansion and the projected North American market for nitrogen fertilizers. We have always been concerned about the number of new nitrogen fertilizer plants which may be allowed to be built in Alberta, causing increased pressure in the highest construction-cost area in Canada and creating a potential nitrogen fertilizer over-capacity situation. We have become more concerned in the light of these market studies and particularly in the light of the recent announcement that the Alberta Energy Resources Conservation Board has authorized the gas requirements for three more world-sized ammonia plants in Alberta. We are in close touch with the Alberta Government, which we believe shares our concern, but we are keeping a close watch on the changing situation which might make it inadvisable to proceed with the expansion.

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Every year since Eric Kierans set out to destroy the Canadian resource industries, I have spent some of my time at each annual meeting discussing Manitoba's mineral policy. Here I go again. In late 1974, the Manitoba Government, as part of its overall mineral policy, brought in new mineral disposition regulations which, among many other troublesome things, provided for the Government's participation in all new mineral exploration up to 50%. As I am one of the industry leaders who has advocated joint ventures with government, it is somewhat embarrassing for me to tell you today that, because of these regulations, Sherritt has stopped exploring in Manitoba. The joint venture arrangements which have been proposed to date by the Manitoba Government are commercially unacceptable to your Company. We have been proud and jealous of our knowledge and expertise in the field of exploration, which warrants recognition in any Canadian exploration arrangement. We were prepared to waive this recognition in dealing with the Manitoba Government but we are not prepared to bear more than half the costs in order to retain a 50% interest in any property. Most of our exploration is now taking place in Ontario, where our crews have been instructed to find only <u>small</u> mines.

Early in April, The Metallic Minerals Royalty Act was tabled in the Manitoba legislature. This Act provides for royalty taxes on mining and processing profits of 12½% on a "profit base" arrived at by complex formulae and 35% on profits beyond the base. If no relief from this royalty tax is provided under federal and provincial income tax laws, the combined tax

rate beyond the base would become 73%. If such a rate were to apply only to true "windfall" profits, then the confrontation between the mining industry and the Manitoba Government might well disappear. Unfortunately, in the drafting of this complex piece of legislation, there are a number of provisions where this high rate of tax can apply to normal or marginal profits. Let me give you two examples. If we had only the Lynn Lake Mine in Manitoba and were able to achieve a profit on it in 1976 of $100,000, our tax bill would be $73,000. Another example is our royalty tax for 1975. When I tell you that the royalty tax provision for the first quarter is only $300,000, you will realize that the mining division has had a tough time. However, this $300,000, calculated under the terms of the proposed new legislation, would have been 50% lower under the present Royalty Tax Act.

The mining industry is hopeful of working with the Manitoba Government in arriving at a taxation system which meets the Government's announced Mineral Resource Policy and yet retains a viable mining industry within Manitoba.

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SHERRITT GORDON MINES LIMITED and subsidiary companies
CONSOLIDATED STATEMENT OF EARNINGS
For the First Quarter 1975
(with comparative figures for 1974)
(thousands of dollars)

	First Quarter 1975	First Quarter 1974
Revenue from sales	$50,434	$50,285
Cost of sales	36,044	29,840
Gross profit from sales	14,390	20,445
Research expense	400	311
Outside exploration expense	393	242
Administrative and selling expense	732	765
	1,525	1,318
Operating profit	12,865	19,127
Process licensing revenue	722	133
Rentals and other non-operating revenue (expense)	80	(845)
Interest income	57	10
	13,724	18,425
Interest expense - bonds	881	1,031
- other	37	229
Earnings before write-offs and taxes	12,806	17,165
Depreciation, deferred development and other write-offs	2,804	2,342
Earnings before taxes	10,002	14,823
Income taxes - current	3,037	1,313
- deferred	950	2,300
Mining royalty taxes	300	1,675
	4,287	5,288
	5,715	9,535
Minority interest in net earnings of subsidiaries	8	8
Net earnings	$ 5,707	$ 9,527
Earnings per share	45¢	75¢

This statement is subject to year-end audit.

SHERRITT GORDON MINES LIMITED and subsidiary companies
CONSOLIDATED STATEMENT OF CHANGES IN
FINANCIAL POSITION
For the First Quarter 1975
(with comparative figures for 1974)
(thousands of dollars)

	First Quarter 1975	First Quarter 1974
Funds were obtained from		
Operations for the period		
Net earnings	$ 5,707	$ 9,527
Amounts deducted in arriving at net earnings which did not involve an outlay of funds		
Depreciation, deferred development and other write-offs	2,537	2,497
Deferred income taxes	950	2,300
	9,194	14,324
Other - net	8	8
	$ 9,202	$14,332
Funds were used for		
Expenditures on capital and deferred assets		
Mining	$ 1,996	$ 839
Employee housing and other loans	(189)	999
Metal and chemical, including research	1,081	1,294
	2,888	3,132
Reduction in long-term indebtedness	2,605	1,961
Dividends	1,911	1,911
Investments	16	394
	7,420	7,398
Increase in working capital	1,782	6,934
	$ 9,202	$14,332
Working Capital		
Balance at beginning of the period	$36,409	$24,779
Increase during the period	1,782	6,934
Balance at end of the period	$38,191	$31,713

This statement is subject to year-end audit.